

Message Text

CONFIDENTIAL

PAGE 01 ROME 12725 01 OF 02 051836Z

65

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EURE-00 CIAE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 NSCE-00

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DIA

USMISSION NATO

USCINCEUR, VAHINGEN, GERMANY

AMCONGEN MILAN

AMCONGEN NAPLES

US DOCOSOUTH

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C O N F I D E N T I A L SECTION 1 OF 2 ROME 12725

US DOCOSOUTH FOR INTAF

SHAPEUSNR FOR POLAD

E.O. 11652: GDS

TAGS: PINT, IT

SUBJ: ANDREOTTI PRESENTS MINORITY GOVERNMENT TO PARLIAMENT; PCI
ANNOUNCES IT WILL ABSTAIN

REF: ROME 11956

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PAGE 02 ROME 12725 01 OF 02 051836Z

SUMMARY: ANDREOTTI'S GOVERNMENT APPEARS ASSURED OF INITIAL

VOTE OF CONFIDENCE. AFTER ANDREOTTI PRESENTED HIS PROGRAM TO BOTH HOUSES ON AUGUST 4, ALL MAJOR PARTIES (INCLUDING THE PCI) ANNOUNCED AN INTENTION TO ABSTAIN. ANDREOTTI'S COMPREHENSIVE AND DETAILED POLICY STATEMENT TO PARLIAMENT CONCENTRATED ON ECONOMIC ISSUES AND CLOSELY FOLLOWS THE "PROGRAM IDEAS" (REFTEL) CIRCULATED EARLIER AMONG THE DEMOCRATIC OPPOSITION PARTIES. ANDREOTTI ASKED SUPPORT FOR HIS MINORITY GOVERNMENT "IN A SPIRIT OF COOPERATION" AND "SOLIDARITY", REMINISCENT OF THE POSTWAR NATIONAL LIBERATION GOVERNMENT. HOWEVER, IN CONTRAST TO THE CONCEPT OF AN "EMERGENCY GOVERNMENT," ANDREOTTI CAREFULLY PRESERVED THE DISTINCTION THAT EACH PARTY MUST DECIDE ITS POSITION ON PARTICULAR ISSUES INDEPENDENTLY IN RECOGNITION OF THEIR "FUNDAMENTAL DIFFERENCES." HE CLEARLY STATED AN UNEQUIVOCAL PRO-WESTERN FOREIGN POLICY. DEBATE IS EXPECTED TO CONCLUDE AUGUST 6 IN THE SENATE AND POSSIBLY AS EARLY AS AUGUST 10 IN THE CHAMBER. END SUMMARY.

1. ANDREOTTI'S PARLIAMENTARY ADDRESS FOCUSED ALMOST ENTIRELY ON ECONOMIC AND SOCIAL PROBLEMS, CLOSELY PARALLELING THE THEMATIC AND ORGANIZATIONAL FORMAT OF HIS "PROGRAM IDEAS" (ROME 11956) WHICH HAD EARLIER BEEN CIRCULATED AMONG THE PARTIES OF THE "CONSTITUTIONAL ARC" FOR COMMENT AND DISCUSSION. IN FACT, ONLY FIVE OF ANDREOTTI'S 80-PAGE CATALOG OF PROBLEMS AND PROPOSED SOLUTIONS DEALT WITH POLITICAL THEMES. THE SPEECH CONTAINED NO SURPRISES. A NOTEWORTHY FEATURE, HOWEVER, WAS THE INCLUSION OF SPECIFIC TIMEFRAMES FOR THE PRESENTATION TO PARLIAMENT OF PROPOSED LAWS AND REFORMS.

2. IF THE STRUCTURE OF ANDREOTTI'S SPEECH WAS ENCYCLOPEDIA IN SCOPE, IT WAS ALSO DELIBERATELY NON-POLEMICAL IN NATURE. IT PLACED EMPHASIS ON WHAT ANDREOTTI TERMED THE WIDE AREA OF AGREEMENT THAT HE HAD FOUND IN HIS DISCUSSIONS WITH THE PARTIES ON WHAT NEEDED TO BE DONE. THIS NON-PARTISAN, "SOMETHING-FOR-EVERYONE" APPROACH DIRECTLY REFLECTS ANDREOTTI'S NEED TO SEEK THE BROADEST POSSIBLE CONSENSUS AND SUPPORT IN ORDER TO FORM A MINORITY GOVERNMENT.

3. NOT SURPRISINGLY, THEN, ANDREOTTI APPEALED FOR BROAD SUPPORT IN CONFRONTING THE "SERIOUS AND COMPLEX" PROBLEMS FACING ITALY. SIGNIFICANTLY, HOWEVER, HE SOUGHT "A REVIVAL OF A SPIRIT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 12725 01 OF 02 051836Z

OF COOPERATION" AND "CONSTRUCTIVE AND RESPONSIBLE SPIRIT", ALLUDING TO THE GOVERNMENT OF NATIONAL LIBERATION (WHICH INCLUDED THE PCI) IN THE IMMEDIATE POSTWAR PERIOD. ANDREOTTI TOOK PAINS TO UNDERLINE, HOWEVER, THAT THE COOPERATION HE SOUGHT BETWEEN DEMOCRATIC POLITICAL PARTIES IN THE BROAD INTERESTS OF THE NATION (AS ENVISIONED IN ARTICLE 2 OF THE CONSTITUTION) HAD DEFINITE LIMITS. IT DID NOT MEAN THAT THE VARIOUS DEMOCRATIC PARTIES WOULD SUBMERGE THEIR FUNDAMENTAL POLITICAL DIFFERENCES.

COMMENT: WHILE ANDREOTTI CAME CLOSE TO ENDORSING AN "EMERGENCY GOVERNMENT" AS PROPOSED BY THE PSI IN SEEKING BROAD POLIT FISUPPORT (I.E., FROM THE PCI, IN PARTICULAR), HE CONTINUES TO INSIST ON THE INDEPENDENT POLITICAL ROLE OF EACH PARTY IN THE POLITICAL PROCESS (I.E., MAINTENANCE OF THE CLEAR DISTINCTION BETWEEN THE MAJORITY AND THE OPPOSITION). END COMMENT.

4. WHILE ANDREOTTI'S SPECIFIC ECONOMIC AND LABOR PROPOSALS WILL BE OUTLINED IN GREATER DETAIL IN A SEPARATE MESSAGE, THE THRUST OF THE GOVERNMENT'S ECONOMIC PROGRAM FOCUSES ON ACTIONS NEEDED TO RESTORE FAITH IN THE ECONOMY, REDUCE INFLATION, REDUCE THE BALANCE OF PAYMENTS DEFICIT, INCREASE PRODUCTION AND EMPLOYMENT, AND ELIMINATE THE PUBLIC SECTOR DEFICIT. BY THE END OF SEPTEMBER, THE GOVERNMENT WILL PRESENT PROPOSALS TO STIMULATE INDUSTRIAL RECOVERY (INCLUDING ARRANGEMENT OF DOLLAR LOADS LINKED TO EXPORTS REPAYABLE IN LIRA). WHILE NO NEW INCOME TAXES ARE PROPOSED, AN IMPORTANT FEATURE IS THE STRESS ON A DETERMINED EFFORT AGAINST TAX EVASION (INCREASED PENALTIES). IN ADDITION, WITHIN 120 DAYS, THE GOVERNMENT WILL SEEK A SHARP INCREASE IN VALUE-ADDED TAXES (IVA); THE COST-OF-LIVING FORMULA IS TO BE REVISED (BLOCKING INCREASES FOR HIGHER INCOME LEVELS); AND PUBLIC UTILITY RATE ARE TO BE RAISED BY YEAR'S END.

5. ANDREOTTI TERMED THE PROBLEM OF JUDICIAL REFORM AND STRENGTHENING OF PUBLIC ORDER (ANDREOTTI REFERRED HERE TO RECENT TERRORIST KILLINGS OF JUDGES) A MATTER OF THE HIGHEST PRIORITY. THE GOVERNMENT WILL SEEK GREATER COORDINATION BETWEEN THE SECURITY FORCES; REFORM OF SID(THE INTELLIGENCE SERVICE); AND PROMOTE PASSAGE OF A DRAFT LAW ON POLITICAL-MILITARY SECRETS AND ABUSES THEREOF. IN ADDITION, ANDREOTTI CALLED FOR REFORMS OF THE CIVIL AND PENAL CODES AND PROCEDURES. BY OCTOBER THE GOVERNMENT WILL ALSO PRESENT TWO LAWS ON PROMOTIONS IN THE ARMY AND AIR
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ROME 12725 01 OF 02 051836Z

FORCE. THE MILITARY SERVICES ARE TO BE REORGANIZED IN ACCORDANCE WITH NEW DISCIPLINARY STANDARDS.

6. REGARDING SOCIAL AND LABOR POLICY, THE GOVERNMENT WILL SEEK TO REVITALIZE AND REFORM THE NATIONAL COUNCIL ON THE ECONOMY AND LABOR. IT PROMISES TO ADDRESS THE PROBLEMS OF LABOR PRODUCTIVITY, LABOR MOBILITY, AND ABSENTEEISM. MEASURES WILL BE INTRODUCED TO DIMINISH DISCONTENT AMONT YOUTH. IN ADDITION, GOVERNMENT CALLS FOR REFORMS IN THE ORGANIZED UNIVERISITIES AND HIGHER SECONDARY SCHOOLS. NEW MEASURES ARE CALLED FOR TO COMBAT ABUSES IN THE NATIONAL HEALTH SERVICE.

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PAGE 01 ROME 12725 02 OF 02 052032Z

54

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 ACDA-07 CIAE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 NSCE-00

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 9274

INFO AMEMBASSY BONN

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C O N F I D E N T I A L SECTION 2 OF 2 ROME 12725

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7. ON FOREIGN POLICY, ANDREOTTI REITERATED IN AN EXPANDED FORM THE VIEWS CONTAINED IN HIS EARLIER STATEMENT OF "PROGRAM IDEAS." HE AGAIN STRESSED THE WIDE AREA OF AGREEMENT HE HAD FOUND AMONG THE DEMOCRATIC PARTIES ON FOREIGN POLICY. IN PARTICULAR, HE SINGLED OUT THE IMPORTANCE OF NATO AS A "FUNDAMENTAL FACTOR FOR EQUILIBRIUM AND PEACE IN EUROPE," PROVIDING THE SECURITY NEEDED TO UNDERTAKE A BENEFICIAL DIALOGUE AND DETENTE WITH
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ROME 12725 02 OF 02 052032Z

THE EAST. ANDREOTTI EMPHASEZED THAT ITALY'S MEMBERSHIP IN NATO "IS AND WILL REMAIN A DECISION, THE OBJECTIVE VALIDITY OF WHICH THE GOVERNMENT DESIRES TO CONFIRM." SPEAKING LATER OF THE IMPORTANCE OF ITALY'S BILATERLA RELATIONS, ANDREOTTI SPOKE WARMLY OF ITALY'S TIES OF FIRENDSHIP AND SOLIDARITY WITH HER ATLANTIC PARTNERS, "PARTICULARLY WITH THE UNITED STATES." THIS WAS SUBSEQUENTLY SOMEWHAT BALANCED BY A REFERENCE TO THE GOVERNMENT'S INTENTION TO STRENGTHEN RELATIONS WITH THE SOVIET UNION.

8. IN AN APPARENT ALLUSION TO THE POLEMICS RECENTLY ENGENDERED BY THE SCHMIDT STATEMENTS ON ECONOMIC ASSISTANCE TO ITALY, ANDREOTTI SPOKE OF THE NEED TO REDUCE THE COUNTRY'S ECONOMIC DEPENDENCE ON OTHER COUNTRIES "EVEN THOUGH IT IS NOT A HUMILIATING SIGN TO REQUEST HELP FROM OTHERS WHEN IT IS NECESSARY." HE ADDED THAT TIES TO AN ALLIANCE OR PARTNERSHIP IN A POLITICAL COMMUNITY REQUIRE THAT ASSISTANCE BE GIVEN IN TERMS THAT "JEALOUSLY RESPECT THE SOVEREIGNTY AND NATIONAL DIGNITY OF EACH COUNTRY."

9. NADREOTTI'S SPEECH DREW APPLAUSE ONLY FROM HIS FELLOW CHRISTIAN DEMOCRATS--THE OTHER PARLIAMENTARIANS (BOTH TO THE LEFT AND RIGHT) REMAINED SILENT. WHILE INITIAL REACTIONS HAVE NOT BEEN ENTHUSIASTIC, NEITHER HAVE THEY BEEN CRITICAL (WITH THE EXCEPTION OF THE RADICAL LEFT AND THE NEO-FASCIST MSI/DN). AS EXPRESSED IN AN EDITORIAL THIS MORNING BY IL GIORNALE'S MONTANELLI, NO ONE IS VERY ENTHUSIASTIC OVER ANDREOTTI'S PERILOUS TRAPEZE ACT (PARTICULARLY SINCE THERE ARE NO SAFETY NETS), BUT ALTERNATIVES SIMPLY DON'T EXIST AT THIS TIME.

10. THE DIRECTORATES OF MANY OF THE PARTIES MET AFTER ANDREOTTI'S SENATE AND CHAMBER PRESENTATIONS. FOLLOWING MEETINGS ENDING AT MIDNIGHT, THE PCI FORMALLY ANNOUNCED ITS EXPECTED POSITION OF ABSTENTION, THUS VIRTUALLY GUARANTEEING THAT ANDREOTTI'S GOVERNMENT WILL PASS. THE SOCIALISTS CONFIRMED THEIR POLICY OF ABSTENTION; THE LIBERALS ANNOUNCED FOR THE FIRST TIME THEY WOULD FOLLOW THE SAME COURSE. ALTHOUGH THEY ARE EXPECTED TO VOTE AGAINST, THE MSI/DN CONTINUES TO WITHHOLD ITS POSITION. IN AN ATMOSPHERE OF "RESIGNED SUPPORT," THE SENATE BEGAN ITS DEBATE THIS MORNING; A VOTE IS NOW EXPECTED FIRDAY, AUGUST 6.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 12725 02 OF 02 052032Z

SINCE LITTLE MYSTERY REMAINS, THE CHAMBER OF DEPUTIES' DEBATE WILL PROBABLY BE ABBREVIATED AND FORMALISTIC. A VOTE IN THE LOWER HOUSE COULD THEREFORE TAKE PLACE AS EARLY AS TUESDAY, AUGUST 10.

11. COMMENT: THE REACTION TO ANDREOTTI'S PRESENTATION TO THE

PARLIAMENT--ESPECIALLY THE PCI DECISION TO ABSTAIN--APPEARS TO ASSURE THAT ANDREOTTI'S GOVERNMENT WILL OBTAIN A VOTE OF CONFIDENCE IN BOTH CHAMBERS. FEW OBSERVERS HERE EXPECT THE NEW GOVERNMENT TO LAST MUCH BEYOND THE END OF THE YEAR. IN THE INTERIM, THE PCI CAN BE EXPECTED TO TRY TO MAKE ITSELF INDESPENSABLE SO THAT IN THE NEXT RESHUFFLE IT CAN DEMAND AND GET AN EVEN GREATER ROLE IN THE GOVERNING PROCESS. AT THE SAME TIME, ANDREOTTI CAN BE EXPECTED TO ATTEMPT TO REBUILD A DC CONSENSUS WITH THE LAY PARTIES SO THAT IN THE NEXT RESHUFFLE THE DC CAN DO WITHOUT THE NEED EVEN FOR PCI ABSTENTION.

12. AS PART OF THE PROCESS OF REBUILDING DC BRIDGES TO THE LAY PARTIES, ANDREOTTI WILL PROBABLY USE THE LEGISLATIVE PROCESS ITSELF, THAT IS, HE IS EXPECTED TO ATTEMPT GRADUALLY TO WORK OUT AGREEMENT WITH INDIVIDUAL PARTIES ON INDIVIDUAL PIECES OF LEGISLATION. IN THIS CONNECTION, ANDREOTTI'S ANNOUNCED INTENTION OF PRESENTING SPECIFIC LEGISLATIVE PROPOSALS ON A TIMETABLE IS A WELCOME CHANGE FROM THE PAST PRACTICE OF PRIVATELY WORKING MOST THINGS OUT TO THE LOWEST COMMON DENOMINATOR BEFORE PRESENTING THEM PUBLICLY IN PARLIAMENT. ANDREOTTI'S PROPOSED COURSE OF ACTION WILL PROVIDE CLEARLY DEFINED DC PROPOSALS ON WHICH THE OTHER PARTIES (ESPECIALLY THE PCI) WILL BE FORCED TO TAKE A POSITION. IF ANDREOTTI MANAGES THIS SYSTEM WELL (INCLUDING ITS PUBLIC RELATIONS ASPECTS) IT COULD PROVIDE THE BASIS FOR THE DEVELOPMENT OF A RENEWED CONSENSUS BETWEEN THE DC AND THE LAY PARTIES, ESPECIALLY THE SOCIALISTS. IF IT DOESN'T WORK WELL, DC DEPENDENCE ON THE PCI WILL INCREASE. THE NEXT FOUR-FIVE MONTHS MAY THEREFORE BE CRUCIAL IN THE SENSE THAT THE SHAPE OF THE SUCCESSOR TO THIS ANDREOTTI GOVERNMENT WILL, TO A CONSIDERABLE EXTENT, DEPEND ON HOW SUCCESSFUL OR UNSUCCESSFUL ANDREOTTI IS IN REBUILDING DC BRIDGES TO THE LAY PARTIES DURING THIS PERIOD. THE PROGRAM AND STYLE OF IMPLEMENTATION THAT HE OUTLINED TO THE PARLIAMENT YESTERDAY STRONGLY IMPLIES THAT THIS BRIDGE-BUILDING HAS HIGH PRIORITY. IN ANY EVENT, THERE DO NOT APPEAR TO BE ANY REALISTICALLY ACCEPTABLE ALTERNATIVES, FOR EITHER THE DC OR THE LAY PARTIES. VOLPE
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PAGE 04 ROME 12725 02 OF 02 052032Z

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